

# Taiwan Uncaps Alcoholic Beverage Market

By Jeff Miller

**T**he day that Taiwan joined the World Trade Organization (WTO)—Jan. 1, 2002—it eliminated a decades-old ban on commercial alcoholic beverage production by private companies.

This is good news for U.S. exporters, who saw their market for alcoholic beverages in Taiwan dip from \$56 million in 1997 to \$20 million in 2001.

The privatization of the Taiwan Tobacco and Wine Board (TTWB), Taiwan's century-old monopoly producer of alcohol and tobacco products, means that any Taiwan-registered commercial entity may apply to produce beer, distilled spirits, wines or other alcoholic beverages, and if approved, distribute and sell its products. Products in bulk can also be imported for repackaging or value-added production.

## Heads Up for U.S. Suppliers

Accomplished two years ahead of schedule, Taiwan's privatization of beer production is expected to spur diversification in the beer-brewing segment of the industry, with opportunities available for both

large and microbrewers to establish and/or invest in local breweries. There will also be opportunities for U.S. companies to sell alcoholic beverages in bulk for value-added production or local repackaging.

The island's strong foundation in more traditional spirits—rice wines, herbal wines, and sorghum/grain-based products—may also present U.S. firms with attractive new sales and partnership opportunities.

## Taiwan Suds Priced Low

The TTWB's beer production has accounted for more than 80 percent of the 485 million liters of beer sold each year in Taiwan. While "familiar taste" is often cited as the reason for this popularity, low price plays an equal, if not more important, role in consumers' purchasing decisions.

While the near-term outlook for U.S. premium beer sales most certainly will be shaped by the price competition from TTWB producers, there is unprecedented opportunity to profit from niche beer markets.

So far, Taiwan residents have had limited exposure to different beer types, with market knowledge confined to local products. But beer connoisseurs are just waiting for more varieties; increased demand for imported craft and specialty brews can be tapped.

The TTWB is trying to hold its market share by keeping price increases to a minimum. While frustrating to outside competitors now, it is doubtful that the TTWB can continue the practice of losing money on its products over the longer term.

## Think Bulk

Before 2002, the TTWB was the only entity that could import wines and spirits in bulk for reprocessing. Now companies can import, in volume, for local repackag-



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ing and for use in value-added products such as cocktail mixes, wine coolers and brandied fruits.

Prior to WTO accession, local importers in particular were anticipating the profit potential of a liberalized marketplace.

## Traditional Spirits Keep Up

Since Taiwan has a strong domestic traditional wine and distilled spirits industry, industry analysts believe U.S. exporters should explore the supply of raw materials for this segment and check out investment in companies with desirable products. ■

*The author is an agricultural marketing specialist in FAS' Agricultural Trade Office (ATO), Taipei, Taiwan. For more information on the developing new market for beer, raw materials for alcoholic production and production technology in Taiwan, contact:*

*ATO Taipei, Taiwan*

*Tel.: (011-886-2) 2337-6525; Fax: (011-886-2) 2305-7073; E-mail: ato@mail.ait.org.tw*

*American Institute, Taipei, Taiwan*

*Tel.: (011-886-2) 2709-2000; Fax: (011-886-2) 2709-2054; E-mail: aitagr@mail.ait.org.tw*

## Beer Dominates Alcoholic Beverage Market

	Domestic Production	Imports
Product	Million liters	Million liters
Beer	400	85
Grape wines	0.5	5.5
Rice wines	172.8	0
Other*	75	14.1
Total	648.3	104.6

\*Includes whiskies and brandies.

For details, see FAS Report TW2004. To find it on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.

